

Decision **DRAFT DECISION OF ALJ ALLEN** (Mailed 3/23/2005)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (E 338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.

Application 00-11-038
(Filed November 16, 2000)

Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan. (U 39 E)

Application 00-11-056
(Filed November 22, 2000)

Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.

Application 00-10-028
(Filed October 17, 2000)

**OPINION ALLOCATING THE REVISED 2005 REVENUE
REQUIREMENT DETERMINATION OF THE
CALIFORNIA DEPARTMENT OF WATER RESOURCES**

I. Summary

This decision allocates the 2005 revenue requirement of the California Department of Water Resources (DWR), as modified by their March 16, 2005 submission,¹ using the methodology adopted by this Commission in Decision (D.) 04-12-014 and previously applied to DWR's 2005 revenue requirement in

¹ DWR's March 16, 2005 submission is marked and received into the record of this proceeding as Reference Item DWR 2005-2.

D.05-03-024. This decision implements a \$166 million reduction in DWR's 2005 revenue requirement.

II. 2005 Allocation

Consistent with D.05-03-024, this allocation is an interim or placeholder allocation, subject to later true up. We are using the same allocation methodology used in D.05-03-024, which we found to be consistent with D.02-09-053 and D.04-12-014, the prior decisions establishing the methodologies used for allocating the costs of DWR contracts. Accordingly, we adopt the allocation shown in Appendix A to this decision.

In reply comments on the draft decision ultimately adopted in D.05-03-024, parties raised issues regarding the allocation of benefits of a particular below-market Williams gas contract, resulting from a negotiated settlement of issues arising from the energy crisis. (See, Reply Comments of PG&E, pp. 1-3 and Reply Comments of SDG&E, pp. 1-3, both dated March 14, 2005.) While this decision necessarily makes an allocation of those benefits, the present allocation should not be considered final. As we pointed out in D.05-03-024, we will address the allocation of the benefits of the below-market Williams gas contract in the currently pending rehearing phase in this proceeding.

Parties should be aware that the larger question of the allocation of various contracts, including the Williams contract, will be addressed in Rulemaking (R.) 04-04-003.² The rehearing phase of this proceeding will be examining only the question of the allocation of the benefits of the Williams gas contract, and is not a

² See, *Assigned Commissioner's Ruling Placing Consideration of the Sempra, Williams, King River, City and County of San Francisco and Sunrise DWR Contracts in R.04-04-003, etc.*, dated January 28, 2005.

proper forum for re-litigating the broader allocation questions that are at issue in R.04-04-003.

III. Bond Charge and Utility Power Charges

The revised 2005 Bond Charge, as calculated by the Commission's Energy Division in collaboration with DWR, and using DWR's model supporting its revised determination, is \$.00459 per kWh. We adopt that value.

The utility-specific DWR Power Charges that result from the adopted allocation of DWR's 2005 revenue requirement have been calculated by the Commission's Energy Division, and added as line 74 on Schedule 3, attached as part of Appendix A. These power charges are effective today, and have been calculated to reflect estimated payments made by each utility to DWR to date. Utility-specific rate design proposals should be handled in each utility's advice letter filing implementing this decision.

IV. Petition for Modification and Rehearing

We note that SDG&E has filed a petition for modification of D.04-12-014, and that we partially granted SDG&E's request for rehearing of D.04-12-014 in D.05-01-036. This decision does not address or resolve the petition for modification or any of the issues within the scope of the limited rehearing granted by D.05-01-036. The assigned Administrative Law Judge (ALJ) and assigned Commissioner can determine the process for addressing the petition for modification and the limited rehearing.³

³ We are informed that the assigned ALJ intends to address and resolve the petition for modification prior to addressing the limited rehearing.

V. Rehearing and Judicial Review

This decision construes, applies, implements, and interprets the provisions of Assembly Bill (AB)1X (Chapter 4 of the Statutes of 2001-02 First Extraordinary Session). Therefore, Pub. Util. Code § 1731(c) (applications for rehearing are due within 10 days after the date of issuance of the order or decision) and Pub. Util. Code § 1768 (procedures applicable to judicial review) are applicable.

VI. Assignment of Proceedings

Geoffrey F. Brown is the Assigned Commissioner and Peter V. Allen is the assigned Administrative Law Judge in these proceedings.

VII. Comments on Draft Decision

The draft decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(g)(3) and Rule 77.7 of the Commission's Rules of Practice and Procedure.

Pursuant to Rule 77.7(f)(9), we determine that public necessity requires reducing the normal 30-day period for public review and comment. The public interest in promptly receiving a significant rate decrease to California ratepayers is high, and the potential harm of a reduced comment period in this particular case is minimal.

First, DWR's revised 2005 revenue requirement has already undergone an Administrative Procedure Act review, including a public notice period. Second, the allocation we adopt today uses the identical methodology we adopted in D.05-03-024, which was based upon the agreement of the active parties, and for which there was a full comment period. Third, the allocation we adopt today is interim, and subject to later true-up. Accordingly, the public interest in the Commission issuing a decision promptly clearly outweighs the public interest in having a full 30-day period for review and comment.

Comments on this decision are due on April 1, 2005. No reply comments will be accepted.

Findings of Fact

1. This Commission has previously allocated DWR's 2005 revenue requirement in D.05-03-024.
2. Energy Division and DWR calculate a 2005 Bond Charge of \$.00459 per kWh.
3. The Commission's Energy Division has calculated utility-specific DWR Power Charges for 2005 from the adopted allocation of DWR's 2005 revenue requirement.
4. SDG&E has filed a petition for modification of D.04-12-014, and the Commission, in D.05-01-036, partially granted SDG&E's request for rehearing of D.04-12-014.

Conclusions of Law

1. This decision's allocation of DWR's 2005 revenue requirement is consistent with prior Commission decisions, and should be adopted.
2. Energy Division and DWR's calculation of the 2005 Bond Charge should be adopted.
3. Energy Division's calculation of the utility-specific 2005 DWR Power Charges should be adopted.
4. This decision need not and should not address or resolve SDG&E's petition for modification of D.04-12-014, nor should it address or resolve any of the issues within the scope of the limited rehearing granted by D.05-01-036.

O R D E R

IT IS ORDERED that:

1. A revised allocation of DWR's 2005 revenue requirement is adopted, as shown in Appendix A.
2. The 2005 Bond Charge is set at \$.00459 per kWh, as calculated by Energy Division and DWR.
3. The 2005 Power Charges shown in Appendix A shall go into effect immediately, and will remain in effect until further order of the Commission.
4. Within 14 days of the issuance of today's decision, Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company shall file advice letters with revised tariffs that reflect the power charges. These new tariffs shall be effective no later than May 1, 2005, subject to review by the Commission's Energy Division.
5. The assigned administrative law judge and commissioner can determine the process for addressing the open petition for modification and limited rehearing.
6. Pub. Util. Code § 1731(c) (applications for rehearing are due within 10 days after the date of issuance of the order or decision) and Pub. Util. Code § 1768 (procedures applicable to judicial review) are applicable to this decision.
7. This order is effective today.

Dated _____, at San Francisco, California

APPENDIX A